

A-5 Guide to specific budget cost calculations

This section offers guidance and expectations on the calculation methods agencies may use to develop cost estimates in their budgets. The section is organized by type of expenditure.

Salaries

Agencies should use the base salary calculations on the July 1, 2001 salary schedule. Discuss the use of any other compensation plan with your OFM analyst before using it in a budget request.

Agencies should not budget for overtime, sick leave or shared leave.

Rates for Employee Benefit Calculations

Agencies should use the rates listed below in budgeting employer benefit contributions and administrative costs for the 2003-05 Biennium.

Old Age and Survivors Insurance (OASI) – Use the following schedule in preparing the 2003-05 Biennium request for employer contributions:

Calendar Year – Element	Percent Rate	Contribution Base	Fiscal Year Average
2002 – OASI	6.20	\$84,900 *	\$82,450
Medicare	1.45		
2003 – OASI	6.20	\$89,700 *	\$87,300
Medicare	1.45		
2004 – OASI	6.20	\$92,400 *	\$91,050
Medicare	1.45		
2005 – OASI	6.20	\$96,600*	\$94,500
Medicare	1.45		
2006 – OASI	6.20	\$100,800*	\$98,700
Medicare	1.45		

* Represents estimated maximum contribution salary base.

Individual employee earnings above the contribution base are not subject to OASI taxes. Agencies should be sure to properly convert OASI taxes from calendar to fiscal year expenditures.

Retirement and Pensions – The Pension Funding Council must adopt the retirement contribution rates to be used during the ensuing biennium. Agencies will receive pension rates and administrative cost information in a separate instruction letter later this summer. If these rates are not available before time for agency budget submittals, OFM will add the change to each agency's budget.

Legislation enacted in 2000 created a new Plan 3 for members of the Public Employees' Retirement System (PERS). PERS 3 will charge the same employer contribution rate as the other two PERS plans.

Higher Education System – Higher education agencies should consult their retirement system administrators for determining appropriate rates for the Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF).

Medical Aid and Industrial Insurance – Base the budget estimates for the state's share of medical aid and industrial insurance payments on current biennium rates. Agencies needing information on current occupational rate schedules should contact Aurianna Reigh at (360) 902-5018, Office of Actuarial Services, Department of Labor and Industries.

Health, Life, and Disability Insurance Plans – Carry-forward level will reflect a maximum contribution of \$480.62 per month for each eligible employee in Fiscal Years 2004 and 2005.

Unemployment Compensation – Base unemployment compensation estimates for the 2003-05 budget on actual expenditures made during the current biennium.

List of Personal Service Contracts

Agencies should be prepared to provide, if requested, a list of all actual and proposed personal service contracts for both current and ensuing biennia. OFM will continue to play an active role in the review and evaluation of all filed personal service contracts.

Internal Rent Charges

RCW 43.01.090, (chapter 219, Laws of 1994) created two charges related to the construction, renovation, and occupancy of certain space owned and managed by the Department of General Administration (GA) in Thurston County:

- A charge for financing cost recovery of construction or major renovation projects of such space, and
- A capital project surcharge to cover some of the costs of ongoing capital projects.

These charges are in addition to other facilities and services, seat of government, and Department of Property Development (DPD) lease management charges.

Internal Rents - Financing Cost Recovery Charge

OFM will provide agencies with more information on these charges later this year.

Internal Rents - Capital Projects Surcharge

A separate charge will be assessed in the 2001-03 Biennium to allocate a share of the cost of some capital projects in GA owned and managed facilities in Thurston County. Important features of this charge are:

- Agencies paying the financing cost recovery charge, or a similar charge (Natural Resources Building tenants, Department of Labor and Industries, Department of Ecology, Department of Licensing, and the Office of the Attorney General) do not pay the capital project surcharge unless, and until, the surcharge exceeds the amount paid for financing recovery.
- The capital projects surcharge for the 2003-05 Biennium may increase beyond the current \$4 per usable square foot, irrespective of facility use or condition. OFM will build the amount required to cover this increase in agency maintenance level budgets. In subsequent biennia, this amount will increase up to no more than \$5 per square foot, and may be differentiated by building to reflect the quality of space and increased over time up to \$5 per square foot.
- All collections of the capital project surcharge will be pooled and deposited in the Thurston County Capital Facilities Account for appropriation.

Other Notes

- Allocation of both these charges to agencies within a building will be based on the relative percentage of individually assigned space, with tenant agencies each paying their relative share of commonly usable, unassigned, and support space.
- The measurement of space for calculation of these charges will be the GA definition of rentable square footage (similar to Building Operators and Managers Association's (BOMA) usable square footage), which is the total area available for assignment or rental to an occupant, including every type of space usable by the occupant. It includes hallways and corridors, bathrooms and janitor closets, reception and circulation areas, interior walls, and building maintenance and management areas. Jointly shared areas such as building entrances and lobbies (and atriums), common bathrooms, building storage and penthouses, vending areas, lounges and waiting rooms, cafeterias, and shared conference or meeting rooms should be pro-rated to all the tenants based on the proportion of space occupied in the building. Excluded areas include vertical penetrations that serve all floors, such as elevator and utility shafts and stairwells.

Costs for Maintenance, Alterations, and Repairs

Ordinary or normal maintenance is funded in the operating budget and can be defined in two major categories, preventive/predictive or corrective:

Preventive/Predictive Maintenance

Preventive maintenance is a strategy where inspections are made or actions taken on a scheduled basis to reduce service interruptions, extend the life, and retain the usable condition of systems and equipment. Preventive maintenance is planned to maintain continued efficient operation of the facility. Schedules for service are pre-specified by the facility plant manager or conform to life-cycle replacements established by manufacturer recommendations. Predictive maintenance is a refinement to preventive maintenance, which integrates scheduled maintenance with system monitoring and analysis (e.g., vibration analysis, thermal/energy use analysis) to identify inefficient operation or anticipate failure. Predictive maintenance reduces cost of maintenance by prolonging equipment life and avoiding costly repairs.

Corrective Maintenance

Corrective maintenance refers to unscheduled “call-in” requests for repair or replacement of equipment, systems, or components of facilities that require immediate action to restore service or repair problems that will interrupt building service or agency activities.

Examples of maintenance and repairs are:

- Painting and decorating. (An exception would be painting and decorating at the time of acquisition, original construction, or change of function.)
- Repairs to or replacement of fixed equipment.
- Alterations that do not change the function or use of the building.
- Repairs that are necessary to prevent deterioration, or that restore a building to its previous condition without extending the life of the building. (An exception would be repairs at time of acquisition.)

Charges for Personnel Services

Personnel Services charges are a fixed rate applied to an agency’s classified salary base, and unlike the charges for other revolving funds, are not adjusted by OFM. The amount necessary for services connected with the recruitment, training, promotion, transfer, compensation, labor relations, or removal of state employees is placed in the personnel service funds administered by the Department of Personnel. Agencies who have classified positions under the jurisdiction of the Department of Personnel must make payment to these funds. Personnel services should be budgeted as follows. This is the budgeted rate for personnel services, **not** an increase to the current rate. Actual rates will be provided by the Department of Personnel at the beginning of the 2003-05 Biennium.

- **Department of Personnel Service Account:** *For the 2003-05 Biennium, agencies should use 0.7 percent (.007) per year of covered salaries and wages.*
- **Higher Education Personnel Service Account:** *For the 2003-05 Biennium, higher education agencies are to use 0.35 percent (.0035) per year of covered salaries and wages.*

Please note that Human Resource Information Systems Division (HRISD) charges are for payroll services, and are not the same as the service covered by the rate indicated above. Agencies should also budget for HRISD charges. This amount is not normally adjusted by OFM.

Cost of Goods Sold

Do not include these costs in agency budget submittals.

Travel and Moving Expenses

Moving expenses must be adequately justified before inclusion in the budget request. Travel costs of a one-time nature, including moving expenses, must be deleted in the carry-forward level. Rules and regulations governing travel and moving expenses are provided in RCW 43.03, Sections 050, 060, and 110-210; and in the State Administrative and Accounting Manual (Chapters 10, 60, and 70.20). Special attention should be given to the following types of travel expenses:

Per Diem Rates – Current travel regulations covering subsistence and lodging are contained in the State Administrative and Accounting Manual (Chapter 10).

Mileage Allowance Private Vehicles – Current state travel regulations contain a reimbursement for use of vehicles of \$.345 per mile.

Interview Expenses – Under RCW 43.03.130, interview expenses may be paid to certain prospective employees. The travel regulations in the State Administrative and Accounting Manual (Chapter 10 and 70.20) set forth the limitations and eligible expenses that may be paid. Agencies that include interview expenses in their budget requests must include the justification and calculations of expenses as a separate item in their request.

Employee Relocation Expenses – In accordance with RCW 43.03.110, RCW 43.03.120, and WAC 82-24-050, agencies are to make allowances for the payment of relocation expenses for agency employees transferred within the state and for certain new employees.

Motor Pool Services (Except for those agencies which operate their own motor pool) – Estimated motor pool rates for both permanently assigned and trip motor pool for the ensuing biennium will be established by the Motor Transport Division of the Department of General

Administration and provided to all agencies in time to be used in preparing budget submittals. Agencies should use those rates in preparing their budget requests unless otherwise instructed.

Capital Outlays (Equipment Expenses)

The same carry-forward/maintenance definitions used for other expenditures also apply to equipment. In general, this means that carry-forward level would include equipment expenditure levels within the current biennium appropriation, less legislatively directed nonrecurring costs. Maintenance level additions for equipment alone would be fairly rare, although there may be some cases where equipment expenses are an appropriate component of a mandatory workload item.